

## **INITIAL STATEMENT OF REASONS**

The Employment Training Panel (Panel) proposes to amend Section 4427 in Title 22 of the California Code of Regulations.

### Specific Purpose of the Action

The proposed amendment to Section 4427 would clarify the regulation and make it consistent with an existing Unemployment Insurance Code provision outside of ETP's enabling statute. It would also apply the statutory definition of trainee eligibility to a "temporary to permanent" model.

### Necessity

#### Amend Section 4427, Temporary Agency

Section 4427 restricts new-hire placements (retention) with a temporary or leasing agency (Agency) at 10% of the total trainee population and an extended retention period of 180 days. The regulation does not account for retraining and retention by a single employer or multiple employer ETP contractor when trainees are permanently hired by that contractor from an Agency, known as a temporary to permanent hiring model.

The proposed amendment clarifies Section 4427 in two ways. First, it references Unemployment Insurance (UI) Code Section 606.5 which requires, among other criteria, that an Agency must control employee working conditions. Referencing Section 606.5 will clarify the distinction between an Agency and a third party service provider such as a payroll company or a Professional Employer Organization (PEO). Second, the proposed amendment permits retraining and retention by a single employer or multiple employer ETP contractor when the trainees are employed by an Agency at the start of training under the "temporary to permanent" hiring model, case-by-case. This type of training will allow ETP to reach employers that use a "temporary to permanent" model without changing eligibility requirements or otherwise compromising performance standards. The Panel will also revise the regulation name for clarity, as a non-substantive change.

The proposed amendment would implement a practice already used by the Panel on two prior occasions within the past year.

### Studies, Reports or Documents Relied Upon

The Panel relied on the following document located in the Rulemaking File:

- Memorandum to the Panel dated April 26, 2007.

The Panel implemented a “temporary to permanent” hiring model under two previous projects: DST Output and Edwards Life Sciences. A Memorandum to the Panel explaining each project will be included in the Rulemaking File:

- DST Output Memorandum to the Panel dated October 27, 2006.
- Edwards Life Sciences Memorandum to the Panel dated April 29, 2005.

The Panel did not consider technical, theoretical, or empirical studies reports or documents.

#### Alternatives Considered or Rejected

No other alternatives were presented to or considered in connection with the proposed regulatory action.

#### Alternatives that Would Lessen Adverse Impact on Small Business

The proposed regulatory action would have no adverse impact on business small or otherwise, as discussed in more detail below. Thus, there are no alternatives that would lessen said impact.

The Panel has not identified any alternatives that would lessen any adverse impact on small businesses. The proposed action to repeal would not have an adverse impact on small business.

#### Evidence of No Significant Adverse Impact on Business

The proposed regulatory action is ultimately designed to facilitate ETP funding for training that allows various businesses to improve the skill levels of their employees located in California. Businesses are not required to apply for this funding. Intrinsically, these regulatory actions would have no adverse economic impact on business, significant or otherwise.